



A Citizen's Guide to the City's Budget Process

INTRODUCTION

The following guide describes the process the City of Chula Vista follows to prepare the annual budget. The Operating/Capital Improvement Project budget is one of the most important documents prepared by the City because it identifies where your tax dollars and other revenues are being spent. The goal of this guide is to provide an overview of the process followed by the City Council in making spending decisions.

As the economy began to deteriorate back in 2008, the impacts were felt across our community. The time to make sacrifices and adjustments also came to City Hall. We entered into several years of significant budget challenges. In order to avoid deficit spending and falling into severe financial crisis, the City took swift actions to reduce spending by eliminating positions, combining departments and reducing executive/management staff, implementing comprehensive pension reform, and reducing operating hours at recreation centers and libraries. In addition, city employees either deferred or gave up scheduled salary increases and agreed to pay 100 percent of their share of pension costs. After five years of continuing cutbacks, the City was successful in maintaining a balanced budget throughout the financial crisis without tapping into reserves (savings) for ongoing services. In fact, the City's reserves have increased slightly over the past four years. The City has also continued to meet all debt obligations and maintained a favorable credit rating of A- (Stable Outlook) by Standards and Poors.

These have been the most challenging and most rewarding years that I have experienced as the Finance Director/Treasurer for the City of Chula Vista. The Finance Department is committed to providing transparency regarding the City's finances and processes. This report is a part of our ongoing communications effort to fulfill that commitment.

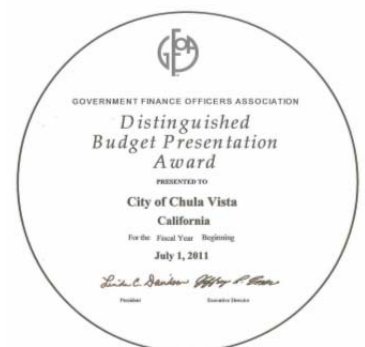
Thank you,

Maria Kachadoorian, CPA, MPA
City of Chula Vista
Director of Finance/Treasurer

GFOA DISTINGUISHED BUDGET PRESENTATION AWARD

The City of Chula Vista has received the Distinguished Budget Presentation Award for their work on the Fiscal Year 2011-2012 budget publication. This award is given by the Government Finance Officers Association (GFOA), which is a nonprofit professional association serving nearly 17,400 government finance professionals throughout North America.

The Distinguished Budget Presentation Award is the highest form of recognition and is the only national awards program in governmental budgeting. Receiving this award is a significant achievement by the City. It reflects the commitment of the City and City staff to meet the highest principles of governmental budgeting,



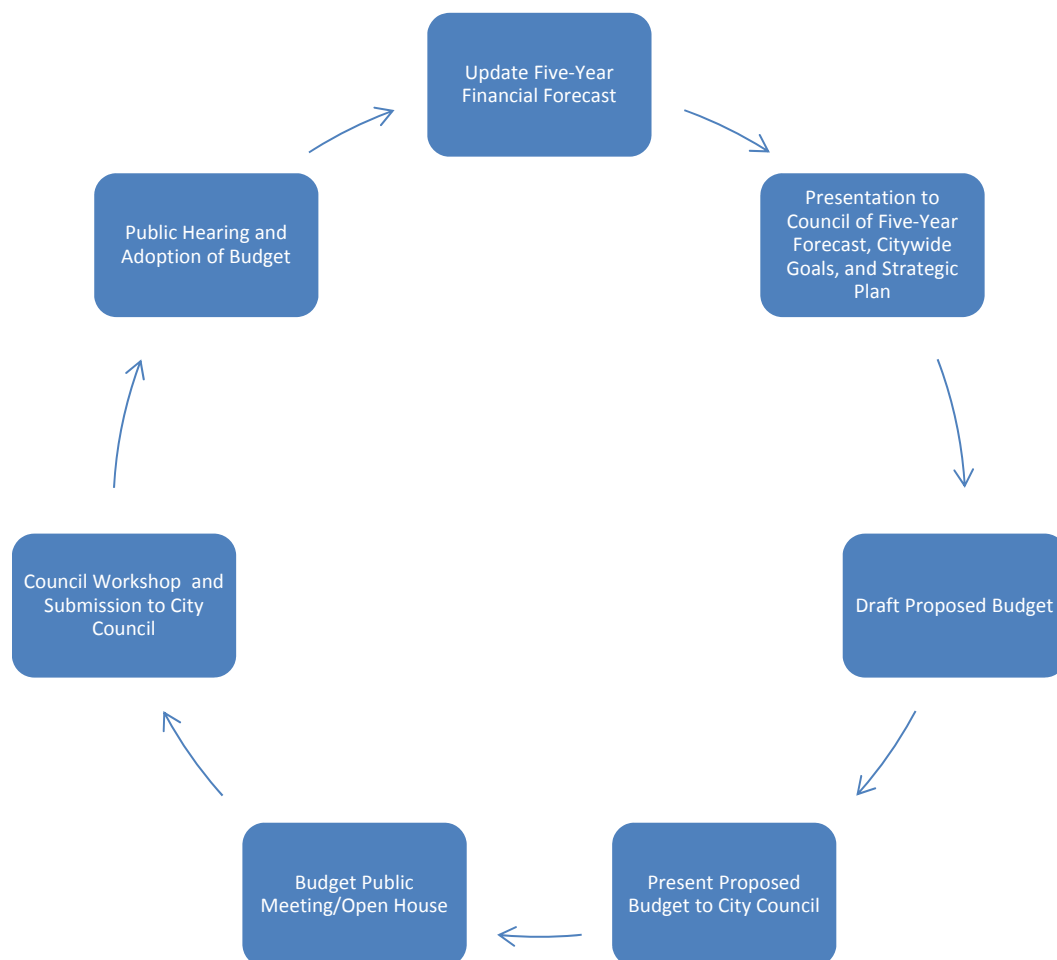
and assesses how well the City’s budget serves as: (1) a policy document; (2) a financial plan; (3) an operations guide; and (4) a communications device. Budget documents must be rated “proficient” in all four of these categories, and the fourteen mandatory criteria within these categories, to receive the award.

With its future budgets, the City will continue to strive to meet the highest standards of governmental budgeting and hopes to continue receiving this achievement through GFOA.

THE CITY’S ANNUAL BUDGET CYCLE

The fiscal year of the City government begins on July 1st each year and ends on June 30th of the following year. The City’s fiscal year adopted budget serves as a forecast of revenues it will receive and expenditures it will incur during this timeframe. The City monitors the budget throughout the year to determine whether the City is performing within the budgeted allocations for both revenues and expenditures. The updated projections are presented to the City Council on a quarterly basis.

Each year the Mayor, City Council, City Manager and City staff work together to develop an Annual Budget. The chart below illustrates the City’s budget process and the usual timeframe for each significant event.



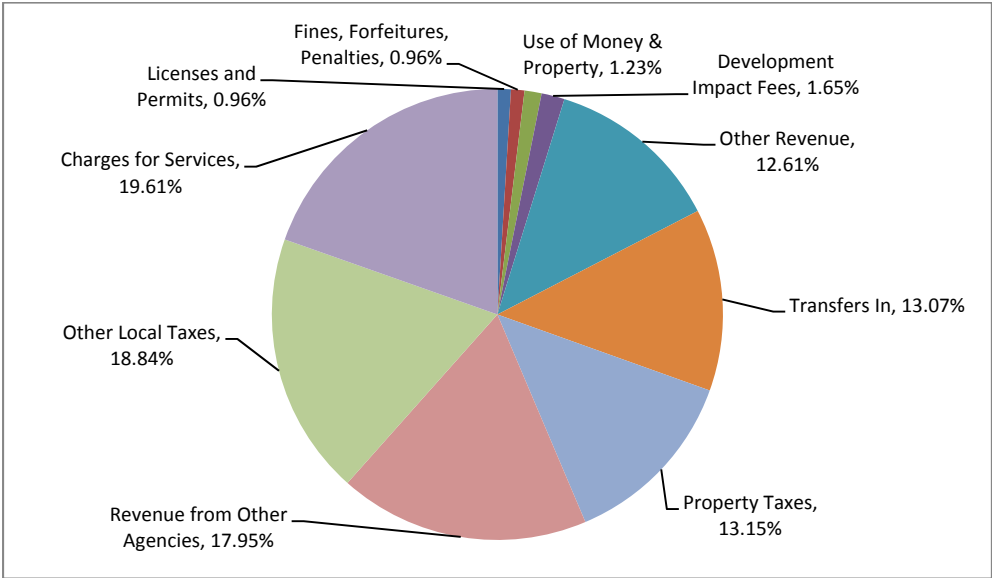
During the budget process the City’s management team reviews the current status of the City’s finances and makes recommendations on how to utilize its resources to best benefit its citizens. The budget serves as both an outline on how monies should be spent to maintain and improve the City, and as a planning tool to move

towards financial resiliency. Establishing a financially resilient City is a long-term goal that can be reached by first stabilizing the City’s financial condition, then working towards financial sustainability, and finally establishing an organization that is financial resilient. Financial resiliency better positions the City to withstand future economic downturns with minimal impacts to service levels.

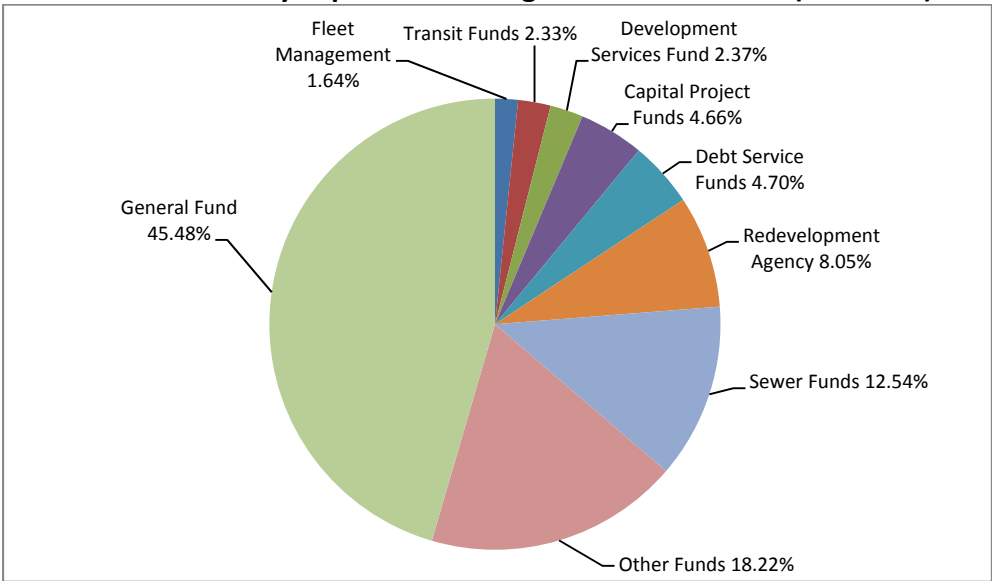
WHERE DO CITY FUNDS COME FROM?

The City of Chula Vista has multiple fund types (a fund is a fiscal accounting entity). This is because certain funds can only be utilized for a specific purpose, and need to be designated as such. Some fund types include the General Fund, Enterprise Funds, Special Revenue Funds, and Internal Service Funds. Below are charts illustrating the percentage of revenue that is budgeted in each revenue category and percentage of budget that is programmed in each fund type for Fiscal Year 2013. Following these charts are brief descriptions of each fund type.

FY2013 Total City Revenue Budget = \$260.1 Million (All Funds)

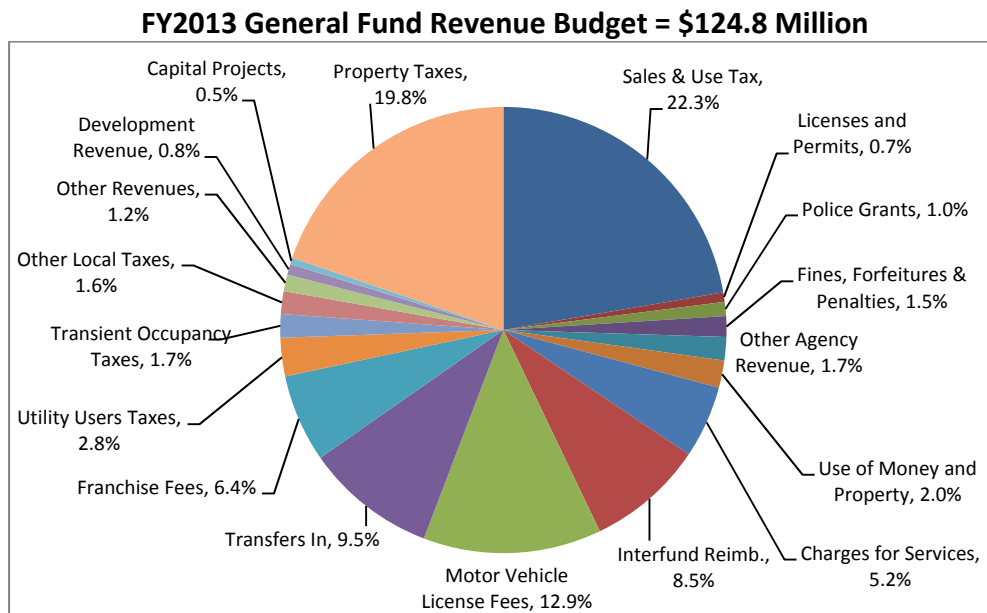


FY2013 Total City Expenditure Budget = \$274.5 Million (All Funds)



General Fund

The City has six (6) major revenue sources in the General Fund. These major general revenues are Sales & Use Tax, Property Tax, Franchise Fees, Motor Vehicle License Fees, Utility Users Tax, and Transient Occupancy Tax (TOT). The three largest discretionary General Fund revenue sources for Fiscal Year 2012-13 are Sales & Use Tax, followed by Property Taxes and Motor Vehicle License Fees. The following chart provides a summary view of the major General Fund revenue sources for Fiscal Year 2012-13.



Sales & Use Tax revenues are received by the City as a 1.0% tax that is applied to all taxable retail sales that occur within the City boundaries. Property tax revenues are based on a 1.0% levy on the assessed value of all real property located within City limits. Motor Vehicle License Fees (MVLFF) were originally set at 2% of value on car registrants. In an attempt to assist with the State's fiscal crisis the state has reduced the VLF fee to 0.65% net of County realignment and administrative reductions. As a result of this change, 97% of the City's VLF revenues are now based on and change along with assessed values.

These revenue sources are contingent upon the health of the economy and fluctuate from year to year.

Enterprise Funds

This fund type account is supported directly through specific types of programs. Enterprise Funds are used to report an activity for which a fee is charged to external users for goods and services. These funds are intended to be fully self-supporting and are not subsidized by the General Fund. Some of the City's enterprise funds include the:

- **Development Services Fund:** The Development Services Fund accounts for revenues and expenditures related to the processing of development plans and permits.
- **Transit Chula Vista Transit (CVT) Fund and Transit Capital Projects Fund:** The transit funds are used for the CVT operations and capital programming costs. Operating funds come from a combination of State Transportation Development Act (TDA) funds and passenger fares.
- **Trunk Sewer Capital Reserve Fund, the Sewer Service Revenue Fund:** The sewer enterprise funds account for revenues and expenditures related to the City's sewer programs. This includes

maintenance and expansion of the City's sewer conveyance system and payment of San Diego Metro wastewater treatment costs.

Special Revenue Funds

Special Revenue Funds are used to account for proceeds derived from specific revenue sources, which are legally restricted to expenditures for special purposes. Examples include Gas Tax, TransNet, and the Traffic Signal Fee fund.

Internal Service Funds

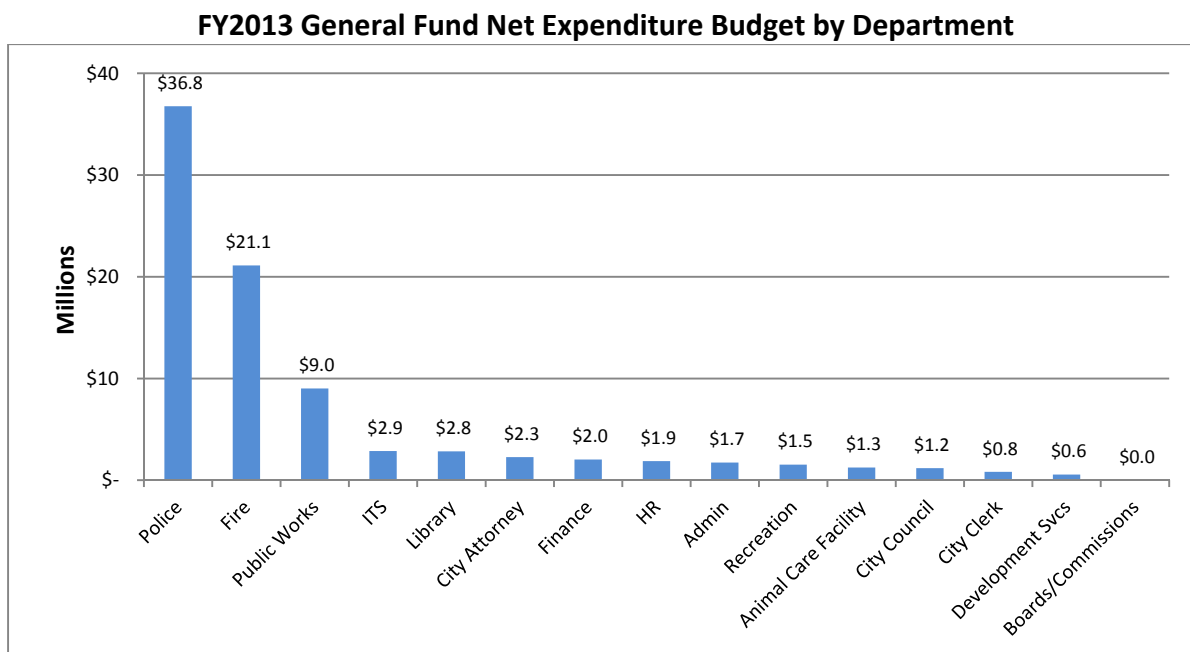
Monies in this fund type are used to finance and account for goods, special activities, and services performed by one fund, department, or agency on a cost reimbursement basis. Examples include the Workers Compensation Fund, the Technology Replacement Fund, and the Public Liability Trust Fund.

WHERE DO CITY'S FUNDS GO?

The adopted budget outlines how monies that come into the City will be spent during that fiscal year.

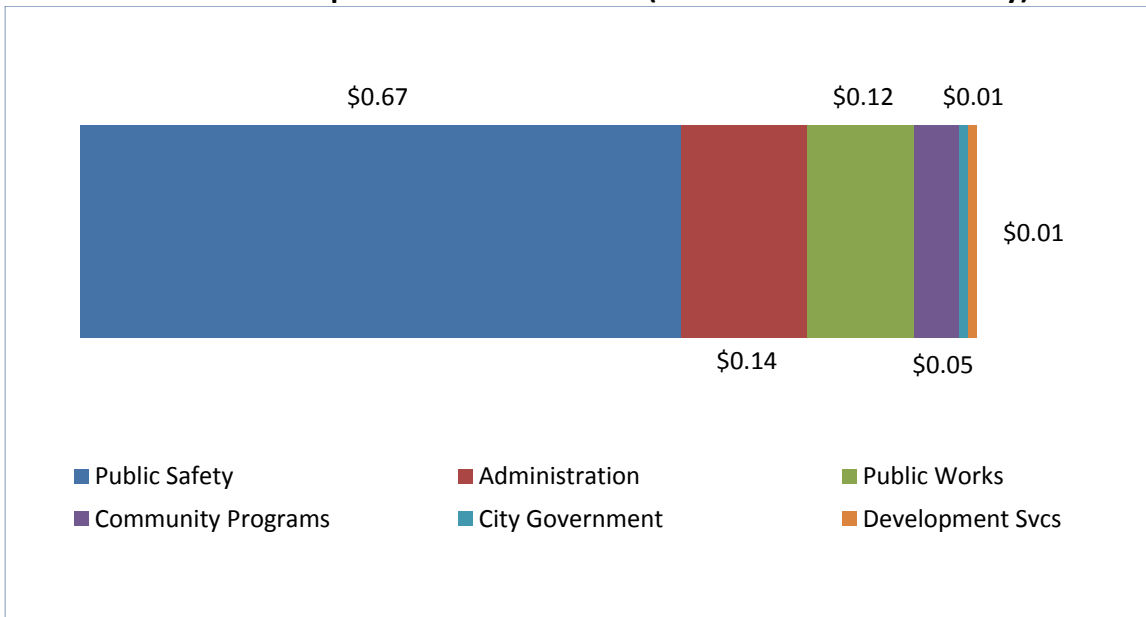
General Fund

The General Fund accounts for core community services such as public safety, parks and recreation centers, library services, and critical city support functions. The graph below details the General Fund operating budget by department. As is detailed in the graph, a majority of the City's discretionary resources are dedicated to public safety services.



The diagram below depicts the General Fund services that are provided by the City and how those services are funded by your tax dollars for Fiscal Year 2012-13.

FY2013 Municipal Tax Dollars at Work (General Fund Net Cost only)



For every General Fund tax payer dollar that is collected by the City, \$0.67 goes towards Public Safety including the Police and Fire Departments; \$0.14 goes towards Administration and other support services including the City Clerk, City Attorney, Finance and Human Resources Departments; \$0.12 is put towards Public Works including General Services; \$0.05 goes to Community Programs like Library and Recreation services; \$0.01 goes towards Development Services; and the remaining \$0.01 to City Government including the City Council and Boards & Commissions.

Departments such as Public Works and Development Services are also funded through development fees or gas tax funds not depicted in the chart above.

OVERVIEW OF THE BUDGET PROCESS

The budget process kicks-off with the updating of the Five-Year Financial Forecast. This document helps paint the picture of the financial status of the City and highlights some of the major challenges the City will need to address in future budgets. Since it projects the revenues the City will receive and the expenditures it will incur in the upcoming years, it sets a starting point as to the resources available to fund necessary expenses.

The next step in the cycle is the development of the City Manager's proposed budget. From January through April, the City Manager, along with City staff, prepares the proposed budget. The City Manager will then present the proposed budget to City Council for review, as required by the City Charter, Article X, Section 1002:

"At least thirty-five days prior to the beginning of each fiscal year, the City Manager shall submit the proposed budget to the City Council."

Before the City Council's proposed budget is finalized, the City Manager, City Council, and City staff provides an overview of the budget and answers any questions from Council or the public at workshops or public meetings. These forums give the public a chance for input or to bring up any concerns that they may have regarding the proposed budget.

In compliance with the City Charter, a public hearing will be held before Council and a notice of this meeting will be published in the local newspaper at least ten days prior to the public hearing. During the ten day period leading up to the public hearing, City Council's proposed budget is made available for public review. This gives residents an additional opportunity to participate in the budget process before the budget is adopted.

After the conclusion of the public hearing and on or before June 30 each year, the City Council will then adopt the budget with any revisions it deems advisable. In order for the budget to be adopted, the City Council will need the affirmative votes of at least three members of Council.

As set forth in the City Charter, at any meeting after the adoption of the budget, the City Council may amend or supplement the budget by motion adopted by affirmative votes of at least four members.

UNDERSTANDING THE CITY'S BUDGET DOCUMENTS

COMPONENTS OF THE BUDGET DOCUMENT

- Operating Budget
- Capital Improvement Budget

The budget document is split into two main parts: (1) The Operating Budget, and (2) the Capital Improvement Budget.

Operating Budget

The Operating Budget provides quick access to general financial information for the City. It contains estimates of the total resources expected to come into the City and the total appropriations to fund City services. Each fund and anticipated revenue and expenditure budgets are described

within the Operating Budget, including explanations of any major increases and decreases of budgeted amounts. Department Summary reports, including department mission statements, are also found within the General Fund Summary section of the Operating Budget.

Capital Improvement Budget

The Capital Improvement Budget contains cost estimates and details regarding approved capital improvement projects (CIPs). A capital improvement is a project that maintains or improves the City's infrastructure. The resurfacing of a street or the development of a new City park are just two examples of a CIP. The Capital Improvement Budget also displays the anticipated funding source(s) and the financing plan of the project.

OVERVIEW OF FINANCIAL POLICIES

The City of Chula Vista's Charter along with adopted financial policies have been put in place to guide the City Council, City Manager, and City staff in making budget and policy decisions. The City's fiscal policies are within the appendix of the budget document which can be found at the following link: http://www.chulavistaca.gov/City_Services/Administrative_Services/Finance/Budget_Analysis/budget.asp

Fiscal Administration

The development of the budget and the specific timelines of the budget process are detailed within Chula Vista City Charter Article X, Sections 1001 to 1005. These sections of the City Charter also provide general direction as to how the proposed budget should be prepared. Additional direction for Fiscal Administration is provided in the City Charter Article V, Section 504. A complete version of the City Charter can be found on the

City's website, under the City Clerk section, which can be found at the following link:
http://www.chulavistaca.gov/City_Services/Administrative_Services/City_Clerk/Records/charter.asp

Financial Reporting and Transfer Authority

To clarify the authority for budget transfers that may be required within a given fiscal year, the City Council adopted Council Policy Number 220-02. This policy helps set guidelines to determine who has the authority level to approve budget transfers within City departments. Departments maintain budgetary control at the summary account level (Personnel Services, Supplies and Services, Utilities, etc.) rather than by line item to give increased flexibility of operation.

Included within this policy is a requirement for quarterly status reports from the Director of Finance. These quarterly reports are designed to provide information on the City's fiscal status to Council, and are also required by City Charter Article V, Section 504. The City's financial reports can be found on Finance Department's section of the City's website at:

http://www.chulavistaca.gov/City_Services/Administrative_Services/Finance/Default.asp

General Fund Reserves

In order to ensure financial stability and continued ability to provide core services during difficult times, an organization must establish and maintain appropriate reserves and adopt a prudent reserve policy. The General Fund Reserve policy was adopted by City Council through Council Policy Number 220-03. This policy set out for a long-term goal of General Fund Operating Reserves of no less than 15% of General Fund operating revenues.

This policy also establishes two additional reserves in the General Fund, the Economic Contingency Reserve and the Catastrophic Event Reserve. The Economic Contingency Reserve level will be maintained at no less than 5% of the annual operating budget to provide for unexpected financial impacts related to significant economic slowdown. The Catastrophic Event Reserves are monies set aside to fund unanticipated expenses related to a major natural disaster in the City and is set at 3% of General Fund operating budget.

Investment Policy and Guidelines

Council Policy Number 220-01 was adopted to established guidelines for the prudent investment of the City's cash balances. It also outlines policy to assist in maximizing the efficiency of the City's cash management system, while still meeting the daily cash flow demands of the City. The policy provides guidance to City staff so that the City will comply with all Federal, State, and local laws governing the investment of public funds.

SUPPLEMENTAL RESOURCES

The links below can be used to retrieve the City's budget documents. Following these links are descriptions of departments that can be of assistance for budget related inquiries.

- **Operating Budget**
 - http://www.chulavistaca.gov/City_Services/Administrative_Services/Finance/Budget_Analysis/budget.asp
- **Capital Improvement Budget**
 - http://www.chulavistaca.gov/City_Services/Development_Services/Engineering/cip.asp
- **Other Financial Reports**
 - http://www.chulavistaca.gov/City_Services/Administrative_Services/Finance/FinancialReports.asp

Chula Vista Mayor & Council Office

All powers of the City, except as otherwise provided in the Charter of the City of Chula Vista, are vested in the City Council. They are the legislative body that makes decisions that directly impact the budget, review the proposed budget, and make revisions based on their analysis.

For more information regarding the Mayor & Council Office, visit the City website at:
http://www.chulavistaca.gov/City_Services/Mayor_Council/Default.asp

(619) 691-5044
276 Fourth Avenue
Chula Vista, CA 91910

Office of the City Manager, Jim Sandoval

The City Manager is the executive office of the City and is appointed by the City Council. The City Manager's office is responsible for the proper administration of all affairs of the City, including day-to-day operations. The City Manager works closely with City staff to develop the annual budget.

For more information regarding the Office of the City Manager, visit the City website at:
http://www.chulavistaca.gov/City_Services/Administrative_Services/City_Admin_Manager/Default.asp

(619) 691-5031
276 Fourth Avenue
Chula Vista, CA 91910

Finance Department, Maria Kachadoorian

The Finance Department administers the City's financial affairs, coordinates and prepares the City's operating budget, manages all investments and borrowing, and provides centralized procurement services to City departments. The Director of Finance/Treasurer provides management oversight to all of the City's financial operations and reporting.

For more information regarding the Finance Department, visit the City website at:
http://www.chulavistaca.gov/City_Services/Administrative_Services/Finance/Default.asp

(619) 691-5250
276 Fourth Avenue
Chula Vista, CA 91910

Office of the City Attorney, Glen R. Googins

The City of Chula Vista Attorney's Office serves as legal counsel to the City Council, City Boards and Commissions, the City Manager, City Clerk and all City Departments. The Office's primary responsibility is to provide these clients with the legal services they need to develop and implement City policy and to deliver City services in a lawful and efficient manner.

For more information regarding the Office of the City Attorney, visit the City website at:
http://www.chulavistaca.gov/City_Services/Administrative_Services/City_Attorney/Default.asp

(619) 691-5037
276 Fourth Avenue
Chula Vista, CA 91910

Office of the City Clerk, Donna Norris

The Office of the City Clerk has many responsibilities one of which is custodian of the many public records of the City. This includes the Municipal Code, City Council Policy Manual, and the City Charter. A copy of the adopted budget is also filed with the City Clerk where it is available for review.

For more information regarding the Office of the City Clerk, visit the City website at:

http://www.chulavistaca.gov/City_Services/Administrative_Services/City_Clerk/Default.asp

(619) 691-5041
276 Fourth Avenue
Chula Vista, CA 91910

Public Works, Richard A. Hopkins

Public Works ensures the delivery of reliable and well-managed infrastructure. The Engineering division of the department coordinates and prepares the City's Capital Improvement Program (CIP) budget.

For more information regarding the Public Works Department, visit the City website at:

http://www.chulavistaca.gov/City_Services/Community_Services/Public_Works_Operations/Default.asp

(619) 691-5021
276 Fourth Avenue
Chula Vista, CA 91910